

Members Quarterly

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Feature

HR in the C-Suite in Downsizing

Managing the many challenges

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Downsizing poses a number of particularly difficult challenges for Human Resource professionals through every phase of this type of restructuring. This includes activities before the decision is even made to downsize, through the process and after the initial downsizing has taken place. At each stage, HR will be called on to provide expert advice and guidance to everyone from the senior management team to the employees who will remain after the exercise has been completed. According to Philip Gennis, Senior Principal with msi Spergel Inc., “HR plays an invaluable and irreplaceable role in any downsizing or restructuring initiative.”

That’s because HR’s primary value to the organization is in managing the people side of the business. That’s important in any restructuring, but even more so in downsizing. As downsizing is the elimination of positions from the payroll, the reasons for the downsizing are all about saving money and rationalizing the use of the organization’s resources moving forward. “A successful downsizing exercise is not just crucial for people management, but ultimately for the future of the business,” says Gennis.

That’s pretty important. So too is the attention to detail and active participation that HR must play in all stages of the downsizing, starting from the very beginning. This should start when the major players in the organization realize that they have to make changes in order to right-size the company for the business that they want to be today and into the future. HR should definitely have a seat at the executive table when these discussions take place.

In this early phase, it is likely that all possible alternatives are still on the table. HR should be able to provide valuable and expert advice on the state of the current workforce, as well as any barriers or impediments to downsizing such as employee contracts and collective agreements. They should also be teamed up with the financial experts, according to Philip Gennis. “As the organization grapples with the size and scope of any proposed downsizing, they need to have both the money and people information readily available.”

Once the decision is made to embark on a downsizing plan, HR should swing into action to develop a people plan that analyzes units, departments and functions to determine where best the organization should target its cuts. This should include a set of pre-approved criteria that helps managers identify their core needs and the areas that will have the least impact on their operations. Gennis notes that “Downsizing must be done in a systematic manner so that you can achieve maximum results with as little loss of time, money and productivity as possible.”

As the downsizing process unfolds, it is crucial that HR also be involved in creating and delivering any communications to the staff inside the organization. Corporate communications can look after customers, clients and other stakeholders, but HR should take the lead in internal communications. That’s because employees and supervisors will already be going to them to talk about the possible impact on their pensions and other benefits. Employees who are going to be terminated will also be visiting HR to tie up any loose ends. “The bad news should always be delivered by the employee’s immediate supervisor,” according to Gennis. “But HR should be close by in case they are needed.”

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After the initial downsizing exercise has been completed, the work of HR is not nearly over. Many downsizing processes become failures in the long term because no one manages the process after the lay-off notices have been handed out. HR still has a crucial role to play in helping the remaining employees. Philip Gennis says that many employees who do not get the axe suffer from 'survivor's guilt.' This can lead to poor morale, high levels of internal stress and friction and a resulting loss of overall productivity within the organization. "HR cannot fix this problem, but they can provide additional support to managers and supervisors to help them get their employees through this difficult period."

Downsizing is never fun for anyone. Sometimes it is necessary to prune a little here and there so that the tree can survive. HR can and should play an important and high-profile role in any downsizing exercise to ensure that the cutting is done in the right way and that the organizational tree has its best possible chance of long term growth and success.

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